Chongqing Rato Manufacturing Corp (formerly known as Chongqing Rato Power Co Ltd) v MP Machinery (M) Sdn Bhd & Anor

HIGH COURT (KUALA LUMPUR) — ORIGINATING SUMMONS NO 24IP-11–03 OF 2014
AZIZAH NAWAWI J
6 JULY 2015

Trade Marks — Application to expunge from register — Registered mark — Applicant sought declaration that it was rightful owner of trademark — Whether applicant was bona fide and rightful owner of trademarks — Whether applicant was original author and copyright owner of design — Whether applicant was aggrieved party — Trade Marks Act 1976

The plaintiff was a manufacturer of machineries and claimed ownership of the 'RATO', and 'R' device trademarks ('the Rato trademarks'). The first defendant specialised in the importation, distribution, offer for sale, and/or sale of industrial machinery, such as machinery for agricultural, construction and other general purposes, and spare parts and components. The first defendant used its RATO trademark on a range of industrial machinery such as engine, generator, water pump, agricultural machinery, welding machines and construction machinery. The first defendant conducted a search at the Registry of Trade Marks, Malaysia and discovered that no other party had applied for identical or similar RATO trademarks. The first defendant then successfully registered and secured its RATO trademarks. In this application, the plaintiff sought to expunge the registration of the trade mark RATO in Class 7 registered in the first defendant's name from the Register of Trade Marks, Malaysia pursuant to s 45 of the Trade Marks Act 1976 ('the TMA'). The plaintiff also sought a declaration that the plaintiff was the rightful owner of the design RATO and the 'R' device. The plaintiff contended that it was the bona fide and rightful owner of the trademarks RATO since it was the manufacturer and the original supplier of machineries, engines, motors and tools in Class 7 bearing the trademark RATO and 'R' device; the first defendant's registration caused confusion and misconception amongst the Malaysian public at large and was not registrable under the TMA; and the plaintiff was the original author and copyright owner of the design of RATO and 'R' device which it enjoyed protection under the Copyright Act 1987 and the Copyright Regulations 1990.

Held, allowing the application with costs:

(1) The plaintiff had used its RATO trademark in Malaysia and also having the bona fide intention to continue marketing their RATO products in Malaysia. The first defendant's registration will prevent the plaintiff from expanding its business in Malaysia, given the fact that both the plaintiff's and the first defendant's trademarks are similar. The plaintiff was an aggrieved party within s 45 of the TMA (see para 20).

(2) The plaintiff had established the first use of the RATO trademarks in Malaysia prior to the registration date of the subject trademark by the first defendant. There was no dispute that the first defendant had imported the plaintiff's RATO products for sale in the Malaysian market; and that the plaintiff's products that were sold here by the importer, the first defendant, bore the plaintiff's RATO trademark. The plaintiff was the first user of the RATO trademark in Malaysia. Since the first defendant was not the proprietor of the RATO trademark, the same was wrongfully entered on the register (see paras 25, 33 & 36).

(3) The plaintiff was the rightful proprietor of the RATO at all material times. Pursuant to s 25, only the plaintiff had the legal right to make the application to the registrar for the registration of the RATO trademark in the Register. As such, the trademark registration by the first defendant was made in bad faith and must not remain in the register and must be expunged (see para 41).

(4) From a visual comparison between the trademarks in terms of the artistic work in the form of trademark, artistic work appearing on the machinery and on the catalogue were identical. The trademark were identical, the machineries were identical, the get-up, colour scheme in yellow, including the slogan used by the plaintiff 'POWER SOLUTION FOR YOU' was copied blatantly by the first defendant. Added to that, the defendant has causal connection with the plaintiff, being on the fact that they were of the importer and distributor relationship. There was certainly no other avenue for the defendant to be able to create the RATO trademark and the device 'R', together with the slogan 'POWER SOLUTION FOR YOU', if it was not through the plaintiff. It was a material adaptation which tantamounted to infringement of the plaintiff's copyright subsisted in the artwork (see para 44).

[Bahasa Malaysia summary

Plaintif adalah pengilang jentera-jentera dan menuntut pemilikan cap dagangan 'RATO', dan lambang 'R' ('cap dagangan Rato'). Defendan pertama mengkhusus dalam pengimportan, pengedaran, tawaran jualan, dan/atau jualan jentera industri, seperti jentera untuk pertanian, pembinaan dan tujuan am yang lain, dan bahagian ganti dan komponen. Defendan pertama menggunakan cap dagangannya RATO dalam rangkaian jentera industri seperti enjin, generator, pum air, jentera pertanian, mesin kimpalan, dan

jentera pembinaan. Defendan pertama menjalankan pencarian di Pendaftaran Cap Dagangan, Malaysia dan menemui bahawa tiada pihak lain yang memohon untuk cap dagangan serupa atau sama dengan RATO. Defendan pertama kemudiannya berjaya mendaftar dan mendapatkan cap dagangan RATO nya. Dalam permohonan ini, plaintif memohon untuk membatalkan pendaftaran cap dagangan RATO dalam Kelas 7 yang didaftarkan dalam nama defendan pertama daripada Pendaftar Cap Dagangan, Malaysia berikutan kepada s 45 Akta Cap Dagangan 1976 ('ACD'). Plaintif juga memohon untuk perisytiharan bahawa plaintif adalah pemilik sah reka bentuk RATO dan lambang 'R'. Plaintif berhujah bahawa ia adalah pemilik bona fide dan sah cap dagangan RATO memandangkan ia adalah pengilang dan pembekal asal jentera-jentera, enjin, motor-motor dan alat-alat dalam Kelas 7 menggunakan cap dagangan RATO dan lambang 'R'; pendaftaran defendan pertama menyebabkan kekeliruan dan tanggapan salah di antara orang Malaysia terutamanya dan tidak boleh didaftarkan di bawah ACD; dan plaintif adalah pencipta asal dan pemilik hak cipta reka bentuk RATO dan lambang 'R' yang mana ia menikmati perlindungan di bawah Akta Hak Cipta 1987 dan Peraturan-Peraturan Hak Cipta 1990.

Diputuskan, membenarkan permohonan dengan kos:

(1) Plaintif telah menggunakan cap dagangan RATO nya di Malaysia dan juga mempunyai niat bona fide untuk meneruskan memasarkan barangan RATO mereka di Malaysia. Pendaftaran defendan pertama akan menghalang plaintif daripada mengembangkan perniagaannya di Malaysia, mengambil kira dapatan bahawa kedua-dua cap dagangan plaintif dan defendan pertama adalah sama. Plaintif adalah pihak yang tidak puas hati di bawah s 45 ACD (lihat perenggan 20).

(2) Plaintif telah membuktikan yang penggunaan dahulu cap dagangan RATO di Malaysia sebelum tarikh pendaftaran cap dagangan subjek ini oleh defendan pertama. Tidak terdapat pertikaian bahawa defendan pertama telah mengimport barangan RATO plaintif untuk jualan di pasaran Malaysia; dan bahawa barangan plaintif yang dijual di sini adalah oleh pengimport, defendan pertama, yang menggunakan cap dagangan RATO plaintif. Plaintif adalah pengguna pertama cap dagangan RATO di Malaysia. Memandangkan defendan pertama bukan pemilik cap dagangan RATO, ianya adalah secara salah dimasukkan dalam daftar (lihat perenggan 25, 33 & 36).

(3) Plaintif adalah pemilik sah RATO pada kesemua masa material. Berikutan s 25, hanya plaintif mempunyai hak undang-undang untuk membuat permohonan kepada Pendaftar bagi pendaftaran cap dagangan RATO dalam daftar. Dengan itu, pendaftaran cap dagangan oleh defendan pertama dibuat dalam niat jahat dan tidak perlu kekal dalam daftar dan mesti dibatalkan (lihat perenggan 41).

(4) Daripada perbandingan yang dapat dilihat di antara cap dagangan berkaitan kerja seni dalam bentuk cap dagangan, kerja seni yang terdapat di atas jentera dan dalam katalog adalah serupa. Cap dagangan adalah serupa, jentera-jentera adalah serupa, penyusunan, skim warna dalam warna kuning, termasuk slogan yang digunakan oleh plaintif 'POWER SOLUTION FOR YOU' ditiru secara terang-terangan oleh defendan pertama. Lebih lagi, defendan mempunyai hubungan sebab dengan plaintif, atas fakta bahawa mereka mempunyai hubungan pengimport dan pengedar. Dengan jelas tidak ada jalan untuk defendan membentuk cap dagangan RATO dan lambang 'R' , bersama dengan slogan 'POWER SOLUTION FOR YOU', jika ia bukan melalui plaintif. Ia adalah penyesuaian material yang sama seperti pelanggaran hak cipta plaintif yang wujud dalam kerja seni (lihat perenggan 44).]

Notes

For cases on registered mark, see 12(2) *Mallal's Digest* (5th Ed, 2015) paras 2603–2604.

Cases referred to

Dabur India Ltd v Nagasegi Sdn Bhd & Ors [2011] 7 MLJ 522; [2011] 10 CLJ 134, HC (refd)
Hexagon Tower Sdn Bhd v Polydamic Holdings Sdn Bhd & 3 Ors [2005] 6 MLRH 30, HC (refd)
Hai-O Enterprise Bhd v Nguang Chan [1992] 2 CLJ Rep 436, HC (folld)
Jost Cranes GmbH & Co KG v Jost Cranes Sdn Bhd [2010] 4 MLJ 191, HC (refd)
Karo Step Trade Mark, Re [1977] RPC 255, Ch D (refd)
McLaren International Ltd v Lim Yat Meen [2009] 5 MLJ 741, FC (refd)
Meidi (M) Sdn Bhd v Meidi-Ya Co Ltd, Japan & Anor [2008] 6 MLJ 433; [2008] 1 CLJ 46, CA (refd)
Moorgate Tobacco Co Ltd v Philip Morris Ltd (1984) 156 CLR 414, HC (refd)
Onestop Software Solutions (M) Sdn Bhd & Anor v Masteritec Sdn Bhd & Ors [2009] 8 MLJ 528; [2009] 8 MLRH 715, HC (refd)
Yong Teng Hing b/s Hong Kong Trading Co & Anor v Walton International Ltd [2012] 6 MLJ 609; [2012] 6 CLJ 337, FC (refd)

Legislation referred to

Copyright (Application to Other Countries) Regulations 1990
Copyright Act 1987
Trade Marks Act 1976 ss 25, 25(1), 45, 46
Trade Marks Act 1994 [UK]

Lena Chik (YY Ho & Lee) for the plaintiff.
Indran Shanmuganathan (Sim Sook Eng with him) (Shearn Delamore & Co) for the defendant.

Azizah Nawawi J:

APPLICATION

[1] This is an application by the plaintiff to expunge the registration of the trade mark RATO (Registration No 20100014464) in Class 7 registered in the first defendant's name from the Register of Trade Marks, Malaysia pursuant to s 45 of the Trade Marks Act 1976 ('the TMA 1976'). The plaintiff is also seeking a declaration that the plaintiff is the rightful owner of the design ' RATO ' and the ' ' device.

[2] The grounds of the application are as follows:

(a) that the plaintiff is the bona fide and rightful owner of the trademarks RATO since it is the manufacturer and the original supplier of machineries, engines, motors and tools in Class 7 bearing the trademark RATO and device;

(b) that the plaintiff is the true and genuine owner of the trademarks of RATO and device as it is the manufacturer, original proprietor and first user of the said trademark and device. Therefore the first defendant's registration causes confusion and misconception amongst the Malaysian public at large and is not registrable under the TMA; and

(c) that the plaintiff is the original author and copyright owner of the design of RATO and device which it enjoys protection under the Copyright Act 1987 and the Copyright (Application to Other Countries) Regulations 1990.

THE SALIENT FACTS

[3] The plaintiff was incorporated on 1 June 2007 in China under the name of Chongqing Rato Power Co Ltd. On 19 September 2012, it changed its name to Chongqing Rato Power Manufacturing Corp. The plaintiff is a manufacturer of machineries.

[4] The plaintiff states that the origin of the 'RATO', 'RATO' and ' ' device trademarks ('the Rato trademarks') were created in the mid 2007 by its chairman, Mr Zhu Liedong, who was also the founder of the plaintiff. After its creation, the Rato trademarks were extensively used in the plaintiff's corporate name, products, goods, feature, mark, documents, correspondence, bills, invoices, commercials invoices and others.

[5] The plaintiff filed its trademark application in Class 7 and 9 in the Trade Mark Offices of the People's Republic of China ('PRC') on 17 July 2007. Subsequently, the plaintiff had submitted and registered the 'RATO' and ' '

device under the Madrid Protocol in the United States of America, Portugal, Japan, Germany, Turkey and Korea.

[6] Since its incorporation in 2007, the plaintiff had invested more than 3.6 billion RMB and had built the 'Rato Industrial Park' in Chongqing, China. The plaintiff has been supplying, selling and/or distributing their machines and engines not only in China but also to other countries including Turkey, Vietnam, Thailand, Indonesia and Malaysia since 2009.

[7] The first defendant was incorporated in Malaysia on 2 May 1989, having its business address in Kota Kinabalu, Sabah. The first defendant commenced business in 1989, specialising in the importation, distribution, offer for sale, and/or sale of industrial machinery, such as machinery for agricultural, construction and other general purposes, and spare parts and components. The machines or its component parts were either locally sourced or originated from China, Japan, Korea, Singapore, UK, Thailand and India.The first defendant operates as a wholesaler, retailer and distributer of machinery products, including parts and components.

[8] The first defendant states that there are three categories of products that it sells in the Malaysian market:

(a) products of other manufacturers which are already branded, which were imported and sold without alteration – such as Yamaha, EBARA and Grundfos products;

(b) products which consisted of component parts of various manufacturers which were assembled by the first defendant to form the final product for sale. In these products, the first defendant would affix their own brand and trademarks such as RATO, YASUKA, SUKAWA, KENTPUMP; and

(c) products which were contract manufactured for the first defendant based on pre-arranged specifications provided by the first defendant to its contract manufacturer. In these products, the first defendant would also affix their own brand and trademarks such as RATO, YASUKA, SUKAWA and KENTPUMP.

[9] The first defendant states that it introduced its RATO trademark to the Malaysian market in the middle of 2009. The first defendant used its RATO trademark on a range of industrial machinery such as engine, generator, water pump, agricultural machinery, welding machines and construction machinery. According to the first defendant, the products bearing the RATO trademarks consisted of products which were contract manufactured for them or products consisting of an assembly of various component parts sourced from several manufacturers.

[10] Before applying to register its RATO trademarks, the first defendant conducted a search at the Registry of Trade Marks, Malaysia and discovered that no other party had applied for identical or similar trademarks. The registration of the first defendant's RATO trademark was secured on 6 August 2010.

FINDINGS OF THE COURT

[11] This application is premised on s 45 of the TMA 1976, which reads as follows:

> 45(1) subject to the provisions of this Act –
>
> The Court may on the application in the prescribed manner of any person aggrieved by the non-insertion or omission from the Register of any entry or by any entry made in the Register, without sufficient cause or by any entry wrongfully remaining in the Register, or by any error or defect in any entry in the Register, make such order for making, expunging or varying such entry as it thinks fit; ...

[12] Under s 45 of the TMA 1976, it is common ground that in order to succeed in this application, the plaintiff has to establish two conditions:

(a) that it is an aggrieved party; and

(b) that the first defendant's trademark is an entry wrongfully entered or remaining on the register.

[13] With regards to the issue of an aggrieved person as provided under ss 45 and 46 of the TMA 1976, the Federal Court in *McLaren International Ltd v Lim Yat Meen* [2009] 5 MLJ 741 held at p 750:

> [22] We understand that passage as laying down the principle that a person aggrieved is a person who has used his mark as a trademark – or who has genuine and present intention to use his mark as a trademark – in the course of a trade which is the same as or similar to the trade of the owner of the registered trademark that the person wants to have removed from the register.

[14] It is not in dispute that the plaintiff's trade mark is similar with the first defendant's registered trademark:

Plaintiff's trademarks	First Defendant's Registered marks
RATO	RATO

[15] The next issue here is whether the plaintiff has used its mark as a trademark or has shown abona fide intention to use its trademark. From the affidavits before me, it is not in dispute that the plaintiff is the manufacturer of RATO machineries, bearing the RATO marks, which is derived from the company's name. It is also not in dispute that the plaintiff is an exporter of machineries bearing the RATO trademark.

[16] In an affidavit affirmed by Leng Wen Qiang on 26 February 2014, the plaintiff states that it has been supplying, selling and/or distributing their machines bearing their RATO trademark not only in China, but to many other countries including Turkey, Vietnam, Thailand, Indonesia and Malaysia.

[17] The plaintiff further states that after meeting the first defendant during the Guangzhou Canton Fair 2009, the first defendant has made several orders from the plaintiff, the earliest order dated 2 June 2009 (see exh L14).The first defendant made several purchases from the plaintiff in 2009 of the plaintiff's products, and this fact was admitted by the first defendant in an affidavit affirmed by Datuk Ting Huat Kiing on 2 May 2014.

[18] Apart from selling their machineries/products to the first defendant, the plaintiff intended to expand its business in Malaysia through a collaboration with Anta Industrial Sdn Bhd (see exh L15). The quotation for the plaintiff's RATO products by Anta Industrial Sdn Bhd were dated 24 September 2009, nearly one year prior to the registration of the first defendant's RATO marks. Indeed there was collaboration between the plaintiff and Anta Industrial Sdn Bhd, and this was admitted by the first defendant, through the affidavit affirmed by Datuk Ting Huat Kiing, where he said in para 16:

> To further protect and enforce its rights to the 1st Defendant's said trademark in Malaysia, the 1st Defendant has not held back on enforcing its rights. *In fact when it came across the presence of products bearing trademarks which were confusingly and/or deceptively similar to the 1st Defendant's trade mark, it commenced action for passing off. The action was taken against Anta Industrial Parts Sdn Bhd (hereinafter referred to Anta) under Kota Kinabalu High Court Suit No. BKI – 22 – 61/4 of 2012*. The Plaintiff in this action after the commencement of this suit has intervened and has been joined as 2nd Defendant in that suit. The matter is currently pending trial. *Now shown and produced before me marked as Exhibit THK – 6 are images of the infringing products which I believed originated from Anta found in outlets in Sabah. I now believe that these products were obtained from the Plaintiff*. (Emphasis added.)

[19] Exhibit 'THK-6' are the plaintiff's products bearing the RATO trademarks.

[20] Therefore, based on the affidavits, I am satisfied that the plaintiff has used its RATO trademark in Malaysia and also having the bona fide intention to continue marketing their RATO products in Malaysia, including through Anta Industrial Parts Sdn Bhd. Added to that, the first defendant's registration will

prevent the plaintiff from expanding its business in Malaysia, given the fact that both the plaintiff's and the first defendant's trademarks are similar. As such, I am of the considered opinion that the plaintiff is an aggrieved party within s 45 of the TMA 1976.

[21] The next issue to consider is whether there is any merits in the plaintiff's application, in that the plaintiff must establish that the registration of the RATO trademark by the first defendant was wrongly entered on the register. The Federal Court in *Yong Teng Hing b/s Hong Kong Trading Co & Anor v Walton International Ltd* [2012] 6 MLJ 609; [2012] 6 CLJ 337 held in para 7:

> It must also be noted that under the provisions of the Trade Mark Act 1976 ('the Act') *priority to a trade mark is not necessarily accorded to the first party or the first user to file the trade mark*. We agree with the submission of learned counsel for the respondent that the entitlement to a trade mark is dependent on a number of factors. Such factors for consideration are *whether the applicant is the bona fide proprietor of the trade mark pursuant to s 25 of the Act and whether the trade mark qualifies for registration pursuant to* s 10 of the Act particularly whether the mark is distinctive of the applicant. A factor to be also considered is *whether the trade mark shall be prohibited from registration pursuant to other provisions of the Act, such as* ss 14 and 19 of the Act. (Emphasis added.)

[22] The first issue is ascertain whether it is the first defendant or the plaintiff, who is the bona fide proprietor of the RATO and device pursuant to s 25(1) of the TMA 1976. Under this provision, only the proprietor of the mark may file an application to register the said mark. Section 25(1) reads as follows:

> 25(1) Any person claiming to be the proprietor of a trade mark used or proposed to be used by him may make application to the Registrar for the registration of that mark in the Register in the prescribed manner.

[23] In order to ascertain the bona fide proprietor of the trademark, this court will have to ascertain who has the first use of the trademark RATO in Malaysia. Cases have held that a slight use of the mark by its overseas owner is sufficient to establish 'use' within the law. In *Moorgate Tobacco Co Ltd v Philip Morris Ltd* (1984) 156 CLR 414 the High Court of Australia held that:

> The requisite use of the mark need not be sufficient to establish a local reputation and there is authority to support this proposition that *evidence of slight use in Australia will suffice to protect a person who is the owner and user overseas of a mark which another is seeking to appropriate by registration* under the Trade Marks Act. In such a case, the *court seizes upon a very small amount of use of the foreign mark in Australia to hold that it has become identified with and distinctive of the goods of the foreign trader in Australia*. (Emphasis added.)

[24] The above principle was adopted by Justice Azhar Mohamed in *Jost Cranes GmbH & Co KG v Jost Cranes Sdn Bhd* [2010] 4 MLJ 191, where His

Lordship held that case laws have established that courts are prepared to infer first prior user of a particular trademark in respect of goods applied for from small amount of use and testing.

[25] From the affidavit evidence before this court, I am of the considered opinion that the plaintiff has established the first use of the RATO trademarks in Malaysia prior to the registration date of the subject trademark by the first defendant on 6 August 2010. This is premised on the undisputed facts that the first defendant had imported the plaintiff's machineries for the purpose of sale in the Malaysian market from June 2009. It is also not in dispute that since the first defendant is a local trader and supplier, any imported products of the plaintiff are for the purpose of sale in Malaysia by the first defendant.

[26] The only dispute between the parties here is whether the said imported products bear the plaintiff's trademark RATO when the same was imported into Malaysia by the first defendant to be sold in the Malaysian market.

[27] It is the contention of the first defendant that when they imported the plaintiff's products, the said products did not carry any trademark. The first defendant submits that they had affixed their trademark on the said products and sold them as the first defendant's products.

[28] On the other hand, the plaintiff submits that from the various invoices, the customs declarations and the bills of lading, the plaintiff's products that were shipped to the first defendant bore the RATO trademark. These invoices were however disputed by the first defendant, and exhibited invoices not bearing the RATO trademark.

[29] Since there is no application by either party to challenge the evidence of each side by way of cross-examination of affidavits, it is then up to this court to consider the said evidence. Having considered the affidavits and the exhibits of both parties, I am of the considered opinion that reliance may be placed on the customs declarations which clearly shows that the products which were exported by the plaintiff to the first defendant in June 2009 bore the RATO trademark. These customs declarations are official documents, and there was no allegation by the first defendants that these documents are fraudulent. The first defendant merely states that they had no access to these documents. I find that the customs declarations, which are official documents, would have the full details of the products, including the trademarks. As such, I am of the considered opinion that when the plaintiff's products were shipped to the first defendant for the purpose of sale in Malaysia, the plaintiff's products bore the plaintiff's RATO trademark.

[30] The first defendant further submits that they had imported only parts from the plaintiff and assembled the same in Malaysia before affixing their

trademark on them. However, I agree with the plaintiff that from the reference to the defendant's commercial invoice received from plaintiff (exh 8A) and the defendant's invoice issued to its customer (the plaintiff's invoice specifies RATO R200 and RATO R390, whilst the defendant's invoice also specifies R390 and R200), it confirms the fact that there was no 'piecemeal' product sold to the first defendant. It is evident that all machines were imported in its entirety.

[31] I also do not find any credence to the first defendant's assertions because I find there is enough evidence to show that the first defendant had merely adopted and copied the plaintiff's catalogue by reproducing the images and/or pictures depicted on plaintiff's catalogue as well as to copy the plaintiff's model number and product specification, as can be seen as follows:

(a) from a comparison between the plaintiff's products and the first defendant's products, they look identical to each other;

(Plaintiff's Products)	(First Defendant's Products)
R670	R670
R2200	2R200

(b) from the plaintiff's catalogue with product code and specification (exh L8), similar details can be found in the first defendant's catalogue with product code and specification (exh THK 2);

Model:R160, R180, R200, R210, R270, R280, R350, R390, R420, R670, R1000, R2200, R2600, R3000, R4500, R5500, R6000, R10000D, RTAXQ1-190, RTAXQ1-190-2, RT50ZB16-3.6Q, RT80ZB26-3.6Q, RT50HB35-3.8Q (not exhaustive)

Defendant's Catalogue with product code and specification

(*Defendant's Exhibit THK2*)

Model: R160, R200, R210, R240, R270, R390, R420, R670, R950, R180, R2200, R3000, R5500, R6000, R10000, RT50ZB-26-3.6Q, RT80ZB-26-3.6Q, RT100ZB-26-306Q, RT50HB-35-3.8Q, RTAXQ1-190-1, RTAXQ1-190-2

[32] Added to that, the RATO mark is derived from the name of the plaintiff company itself, whilst the first defendant failed to explain how it comes up with the RATO and . Bearing in mind that the first defendant had imported the RATO products of the plaintiff, one can only conclude that the first defendant had adopted the plaintiff's trademarks as its own and proceed to register the same in their name.

[33] For the reasons above, I find that as there was no dispute that the first defendant had imported the plaintiff's RATO products for sale in the Malaysian market; and that the plaintiff's products that were sold here by the importer, the first defendant, bore the plaintiff's RATO trademark. Based on this, I find that plaintiff is the first user of the RATO trademark in Malaysia.

[34] I find support for this from the decision of Justice Mahadev Shanker in *Hai-O Enterprise Bhd v Nguang Chan* [1992] 2 CLJ Rep 436, where His Lordship held at p 444:

> Generally speaking it is *the manufacturer of the goods who is entitled to be registered as the owner of any mark he attaches to identify his goods, not the person who imports these goods into this country*. In certain circumstances however, the importer can acquire that right as against the manufacturer where there is a contest between them.

A ...

It is important at all times to keep in the forefront of our minds that there is a clear distinction between the intellectual property in a trade mark, and the title to the goods upon which that mark is applied. So generally, a *manufacturer continues to own the mark even though he has sold the goods*. The object of the exercise is to indicate
B 'origin'. *In its most elementary form the owner of the trade mark would be the trader whose connection is indicated by the use of the mark. That trader would be the owner of the mark at common law*. Speaking generally in this case, it is common ground that the said mark was originally conceived in China for the purpose of indicating the Chinese connection with the goods. If the Chinese used or proposed to use this
C mark on their goods in Malaysia, then the said mark comes within the definition. So viewed, the propose meaning to be assigned to the term 'proprietor' means the Chinese because they were the ones who first intended that their mark should be used in Malaysia when they agreed to allow Hai-O to import their goods under the sole agency agreement and did in fact so use the mark from the day the goods reached Malaysian soil. (Emphasis added.)

D

[35] In *Meidi (M) Sdn Bhd v Meidi-Ya Co Ltd, Japan & Anor* [2008] 6 MLJ 433; [2008] 1 CLJ 46, the Court of Appeal held that:

Generally speaking it is the manufacturer of goods who is entitled to be registered as
E the owner of any marks he attaches to identify, not the person who imports these goods into this country.

[36] In the premise, I find that since the first defendant is not the proprietor of the RATO trademark, the same was wrongfully entered on the register.

F

[37] However, the first defendant submitted that the RATO trademark is distinctive of the first defendant since they introduced the said mark into Malaysia or when they made the application to register the same. However, I am of the considered opinion that as an importer of the plaintiff's products, it
G is the commercial interest of the first defendant to sell the said products. Such activities of selling the plaintiff's imported products do not accord the first defendant any ownership rights over the Rato trademarks. Goodwill in the Rato trademark through such sales by the first defendant, if any, would accrue to the plaintiff. In *Jost Cranes*'s case, Justice Azahar Mohamad held as follows:

H It is true that the respondent had incurred various expenses in its efforts to promote and sell the construction cranes bearing the JOST Mark. Having regard to the factual matrix of the present case, in my view, such promotional efforts to sell the construction cranes bearing JOST Mark were construction cranes of the applicant's manufacture (and not of the respondent's); and further that promotional efforts to
I sell goods bearing a certain trademark can be taken or deemed to be use of the said mark.

[38] It was also held in *Hai-O Enterprise Bhd* that an importer of such goods, notwithstanding the acquisition of a commercial reputation thereof, does not

acquire any proprietary rights over a manufacturer's mark merely by being a conduit from manufacturer to ultimate consumer.

[39] Finally, the first defendant submits that there are circumstances where ownership can vest in the importer, and relied on Justice Mahadev Shanker's statement at p 450 of *Hai-O Enterprise Bhd*'s case:

> Putting it my way, it would appear that before an importer can claim that a trade mark has become his, so as to be regarded as a true 'importer's mark' and no longer a manufacturer's mark, *he has to demonstrate that the mark in question has undergone a qualitative change from a foreign pupa to a local butterfly*. This metamorphosis will be achieved only if it can be shown that by reason of events preceding the date ofapplication for registration the mark which the importer has applied to register has totally become effective in the minds of the consumers in Malaysia that the goods imported are the importers goods as opposed to being the goods of the foreign manufacturer. (Emphasis added.)

[40] The first defendant submits that they have made qualitative changes to the said products, thereby changing the plaintiff's product from a pupa to a local butterfly. However, from the catalogues of both parties, I do not find any such metamorphosis and that the products bearing the RATO trademark sold by the first defendant are similar, if not identical to the plaintiff's RATO products.

[41] In the premise, I am of the considered opinion that the plaintiff is the rightful proprietor of the RATO at all material times. Therefore, pursuant to s 25, only the plaintiff has the legal right to make the application to the registrar for the registration of the RATO trademark in the register. As such, I find that the trademark registration by the first defendant was made in bad faith and must not remain in the register and must be expunged.

[42] The plaintiff is also seeking a declaration that it is the rightful copyright owner of the design of RATO and device. It is the submission of the plaintiff that it is the owner of the copyright subsisting in the artistic work RATO and . The founder of the plaintiff, Mr Zhu Liedong has commissioned the design of the said RATO trade marks to signify the brand image of the plaintiff. Therefore, when the first defendant has copied and reproduced identical trademark in registration No 2010014464, the first defendant had infringed the copyright subsisting in the artwork.

[43] With regards to copyright infringement, Justice Azhar Mohamad held in *Dabur India Ltd v Nagasegi Sdn Bhd & Ors* [2011] 7 MLJ 522 at pp 533–534; [2011] 10 CLJ 134, at pp 144–145:

> By virtue of Malaysia's accession to the Berne Convention for the Protection of Literary and Artistic Works 1886, works published in the state parties to the Convention may enjoy copyright protection in Malaysia even if there has been no first publication in Malaysia.
>
> ...
>
> In the present action, the copyright subsisting in the artistic works concerns the labels of the toothpaste products PROMISE and MISWAK. These works were created by the plaintiff and/or works created by parties who were commissioned by the plaintiff and as such, the plaintiff is the lawful proprietor of all subsisting in the said works.
>
> ...
>
> In the present case, the defendants were always aware of the plaintiff's toothpaste products sold under the plaintiff's trademarks 'PROMISE' and 'MISWAK' as they had purchased the goods as a distributor from the plaintiff. It is an obvious fact that the defendants have copied the words 'PROMISE' and 'MISZWAK' and the colour scheme, which is deceptively similar to the plaintiff's toothpaste products, which contains a similar colour scheme, lay out and get-up and the words contain therein.

[44] From the evidence before me, I find that from a visual comparison between the trade marks in terms of the artistic work in the form of trademark, artistic work appearing on the machinery and on the catalogue are identical. The trademark are identical, the machineries are identical, the get-up, colour scheme in yellow, including the slogan used by the plaintiff 'POWER SOLUTION FOR YOU' was copied blatantly by the first defendant. Added to that, the defendant has causal connection with the plaintiff, being on the fact that they are of the importer and distributor relationship as shown in the invoices plaintiff's exh L14. There is certainly no other avenue for the defendant to be able to create the RATO trademark and the device , together with the slogan 'POWER SOLUTION FOR YOU', if it is not through the plaintiff. It is a material adaptation which tantamount to infringement of plaintiff's copyright subsisted in the artwork.

[45] Further,the first defendant did not offer any plausible explanation in their affidavit, except to give a bare denial that 'Saya tidak mengakui perenggan 4 Afidavit Leng dan saya menafikan bahawa Plaintif merupakan pemilik hap cipta cap-cap dagangan dakwaan Plaintif di Malaysia. Saya selanjutnya tidak mempunyai pengetahuan mengenai dakwaan penggunaan cap-cap dagangan dakwaan Plaintif ...'.

[46] I find that the first defendant has not rebutted the inference drawn unto them satisfactorily by providing such answer above. As the ingredient of infringement has been established, inference of copying and the burden shifts to the first defendant to rebut the presumption. Where the defendant merely denies copying without proffering any reason for the similarities, the court

would infer that the similarities are due to copying. In the case of *Hexagon Tower Sdn Bhd v Polydamic Holdings Sdn Bhd & 3 Ors* [2005] 6 MLRH 30, the learned High Court judge at p 38, stated 'It is a question of fact and the burden is on the plaintiff to demonstrate this. Proof of sufficient similarities and a causal connection gives rise to an inference that the defendants have copied the plaintiff's work, which is to be rebutted by the defendant'.

[47] In *Onestop Software Solutions (M) Sdn Bhd & Anor v Masteritec Sdn Bhd & Ors* [2009] 8 MLJ 528 at p 535; [2009] 8 MLRH 715 at p 717, the failure of the defendant in not explaining would render an inference of copying by the court, 'In comparing two computer programs, where a defendant has manifestly copied but denied any copying, the proper inference is that similarities not explained by independent evidence are due to copying and not to his programming style'.

[48] In the case of *Re Karo Step Trade Mark* [1977] RPC 255, it was held that a trade mark which was registered without the German's association (applicant) consent in the UK constitute to infringement of copyright, even though the registration by the respondent, was for goods which was not similar to that of the applicant. Nevertheless, Whitford J held that the registration contravene the English Trade Marks Act and hence is not fit for registration and was removed subsequently from the register (p 273):

> The question is whether the use of this mark ought to be held contravene the provisions of section 11 in the circumstances outlined, because its use upon goods having no connection with the owners of the copyright would be contrary to law ... It is well established that, so far as section 11 is concerned, if the basis of the objection under section 11 is that there is likely to be some deception, it will apply notwithstanding the fact that there may be circumstances in which the use in the trade would not in fact lead to deception or confusion; it is enough that it could. I think that the use of this registration could be contrary to law, in the sense that it would amount to an infringement of copyright and that the objection stands established.

[49] Applying the above principle to the present case, the infringement of the plaintiff's copyright in the RATO mark and the device would also mean that the registration of the Rato marks by the defendant is contrary to law and must be removed from the register.

CONCLUSION

[50] Premised on the reasons enumerated above, I find that the plaintiff has satisfied the conditions prescribed in s 45 of the TMA 1976. In the premise, prayers (1), (2), (3) and (4) of the originating summons is allowed with costs.

A *Application allowed with costs.*

Reported by Afiq Mohamad

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